

Reconciling Differences

Property Tax Newsletter, Volume 3



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The Debate Over HB 1001

The Senate passed an amended version of HB 1001, which will now enter Conference Committee to reconcile differences with the House version

On Tuesday, February 26, the Senate voted 33-14 to pass an amended version of HB 1001. The Senate made a variety of changes, including proposals to phase in the circuit breakers over two years, changing which levies the state will assume and which will lose funding, and including the

TIF language found in SB 17. But most notably, they voted to retain township assessors under a provision that they can be eliminated individually by voter referendum.

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Keeping score

Phase-in approach, debt service excluded by referendum, and \$50M to schools

Levy takeovers

Comparison of the levies assumed by the state in the two versions of the bill

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Keeping score: circuit breakers, referendums, deductions

House vs. Senate

House version

- 1, 2, and 3% circuit breakers implemented immediately in 2009
- School building projects for educational purposes are exempt from voter referendum

Senate Version

- Changes phased in over 2008-2010:

	2008	2009	2010
Homesteads	2.0%	1.5%	1.0%
Other Residential (1)	N/A	2.5%	2.0%
Apartments	N/A	2.5%	2.0%
Agricultural Land	N/A	2.5%	2.0%
Other Real	N/A	3.0%	3.0%
Personal Property (incl AG)	N/A	3.0%	3.0%

- Debt approved in referendums is outside the cap
- \$50 million mitigatory payment to schools in 2009 and 2010 to offset circuit breaker losses

LOITs

The Senate also changed the method for allowing a local option income tax for counties to make up for lost revenue through higher income taxes.

The House version (as requested by the Governor) abolished the old three-part system and created a single tax option not to exceed 1%.

The Senate version keeps the options from HEA 1487, which was passed last year, which allows LOIT increases for three reasons: counties can increase the LOIT to pay for budget increases, to provide dollar for dollar property tax relief, or for public safety. However, a county choosing to increase the rate .25% for public safety must also adopt a .25% rate for budget increases and/or property tax relief.

Supplemental deductions

The House version of HB 1001 provided for a graduated supplemental deduction: those with homes valued below \$200,000 would get the full 35% deduction, while those with homes worth more than \$800,000 would not get any deduction. The percentage fell as the value increased.

However, the Senate has chosen a simpler, less equitable two-tier system. The Senate version maintains the standard deduction of the lesser of \$45,000 or half the home's value, and provides a supplemental deduction of 35% for the next \$600,000 of AV remaining, as well as a 25% deduction of any value left over after both deductions.

So under the House plan, a \$1,000,000 home will get the standard \$45,000 deduction, no supplemental deduction, and be assessed at \$955,000.

However, under the Senate plan, the same home will get the \$45,000 deduction, plus 35% of the next \$600,000 (a \$210,000 deduction), plus an extra 25% of the remaining value (a \$88,750 deduction), for a final assessed value of \$656,250. In the Senate case, the million-dollar home pays over 30% less in property taxes.

A more modest home, like the Hoosier average of \$150,000, would be taxed identically under both plans.

A Menu of Choices: Levy Takeovers



Slicing the Pie: which levies will be assumed by the state?

Café House		Café Senate	
School Transportation	\$483M	School Pension Debt	\$124M
State Fair and Forestry	\$8M	Local Police and Fire Pensions	\$97M
School General Fund (Remaining 15% borne by taxpayers)	\$907M	School Debt Service	\$50M
Family and Children Fund	\$439M	State Fair and Forestry	\$8M
Medical Assistance to Wards	\$21M	School General Fund	\$907M
Children's Psychiatric Residential Treatment Fund	\$17M	Family and Children Fund	\$439M
Children with Special Health Care Needs	\$9M	Medical Assistance to Wards	\$21M
Juvenile Incarceration	\$23M	Children's Psychiatric Residential Treatment Fund	\$17M
		Children with Special Health Care Needs	\$9M
		Preschool Special Ed	\$6M
		Juvenile Incarceration	\$23M

*All prices quoted for 2009

Notable items that have been removed or altered

- Decreased the renter's deduction from \$5,000 to \$3,000
- Changed the supplemental deduction from a graduated system into a two-tier system (see page 2)
- Phases in the property tax caps, with homeowners caps of 2% in 2008, 1.5% in 2009, and a permanent 1% in 2010
- Imposes referendums on all building projects, including schools, provided 100 people sign a petition to hold a vote
- Retains all township assessors unless votes choose in a referendum to transfer responsibility to a county assessor
- State assumes 100% of pre-1977 Police and Firefighter Pension Fund, but does not assume school transportation costs
- Keeps 2007 LOIT provision, abandoning the House flat-rate 1% cap

Reconciling the differences

Implementing the changes to make HB 1001 viable

With opposing versions passing out of each chamber, the next step will be a joint conference committee consisting of two Representatives and two Senators. The members will attempt to reconcile the differences between the plans before passing a definitive plan back to both chambers for a final vote.

The conference committee is advised to submit an agreeable proposal for a final vote before the March 14th legislative deadline. However, Governor Daniels has already made clear that he will not hesitate to extend the session if HB 1001 has not been delivered.



State Representative Dennis Avery